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Press_Office@finance-rep.senate.gov

MEMORANDUM

TO: Reporters and Editors
FR: Jill Kozeny, 202/224-1308
for Senator Grassley
RE: Medicare and Social Security Trustees' Report
DA: April 23, 2007

Senator Chuck Grassley, Ranking Member of the Committee on Finance, issued the comment below about the report issued today by the trustees of Social Security and Medicare.

“This year’s Medicare Trustees’ report is further proof that the rapid growth in entitlement spending is a serious problem. Earlier this year, heads of the Federal Reserve, the Government Accountability Office and the Congressional Budget Office all testified before the Budget Committee on the impact of entitlement spending on the budget. As baby boomers become eligible for Social Security benefits as early as 2008 and Medicare benefits as early as 2011, and medical costs continue to rise faster than the rate of inflation, spending for entitlement programs will become unsustainable. Spending for entitlement programs like Social Security, Medicare and Medicaid already total about 40 percent of federal expenditures and over eight percent of the gross domestic product.

“Over the years, efforts have been made to slow the rate of growth in entitlement spending. Last year, the Medicare Trustees made an official determination of ‘excess general revenue Medicare funding’ as Congress required in the Medicare Prescription Drug, Improvement, and Modernization Act of 2003, or the MMA. Since the Trustees today made a similar determination for the second year in a row, the MMA requires the President to propose legislation to address entitlement spending in conjunction with next year’s budget. Addressing the spiraling growth in entitlement spending will require making a difficult choice of drastic measures. The longer we wait, the more drastic the measures we will have to take.

“This isn’t news to anyone. Everyone knows that we ought to take action now to address long-term entitlement spending. Unfortunately, ignoring the real problem of skyrocketing entitlement spending and the long term consequences of staying the current course of doing nothing to control it seems to be a trend with Democratic leaders in Congress. The attempt to strike the noninterference clause in the Medicare Part D prescription drug benefit is a good example. Having the government take over negotiations of prescription drug prices would limit

seniors' access to drugs and increase prices for prescription drugs for everyone. It did nothing to slow down growth in entitlement spending.

“The Democratic budget resolution is another example of a failure to act. It doesn't do anything to address entitlement spending while assuming there will \$15 billion in Medicare savings by cutting overpayments of certain Medicare providers. When President Bush made the case for saving Social Security two years ago, Democratic leaders in Congress talked a lot about the need to save Medicare first. Now they're in control of Congress, and they ought to walk their talk.”